

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 FBO-01 L-03 DRC-01 RSC-01 /019 W

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R 120915Z MAR 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1363

INFO AMEMBASSY KUWAIT

UNCLAS ABU DHABI 0263

EO 11652: NA

TAGS: ABLDG, TC

SUBJ: RENEWAL OF OFFICE CONTRACT

REF: STATE 022296, ABU DHABI 096

1. A. REF B REPORTED IMPASSE EMBASSY HAD REACHED WITH LANDLORD (SHAIKH KHALID BIN SULTAN) OVER RENEWAL OF OFFICE LEASE FOR ADDITIONAL TWO YEAR PERIOD. LANDLORD HAS NOW ACCEPTED EMBASSY CHECK FOR ANNUAL PAYMENT IN ADVANCE FOR RENTAL CONTRACT, BUO HAS ADDED A CODICIL TO ORIGINAL CONTRACT. LANDLORD WILL ACCEPT CONTINUATION OF PRESENT CONTRACT FOR AN ADDITIONAL TWO YEAR PERIOD 1974-1976 AT SAME RATE OF RENT, HOWEVER, HE DEMANDS RENEGOTIATION FOR ANY RENEWAL BEYOND THAT PERIOD. HE IS ALSO REQUESTING A LETTER OF INTENT AGREEING TO NEW RENTAL FEE OF DH 100,000 (AN INCREASE OF DH 24,000) FOR ANY PERIOD AGREED ON AFTER 1976.

B. AN ADDITIONAL CONDITION IN THE DEAL IS THAT LANDLORD DEMANDS THAT THE TWO HOUSES ALSO LEASED BY EMBASSY FROM HIM (CONTRACTS S-483-FBO-005 AND 006) BE INCREASED FROM DH30,000 ANNUALLY TO DH 45,000 AT THE END OF THE CURRENT CONTRACT, JULY 31, 1975. BOTH OF THESE CONTRACTS HAVE SAME RIGHT TO RENEW CLAUSE AS DO ALL OUR CONTRACTS.

2. POST FEELS THAT ALTHOUGH IT HAS BEEN ADVISED THAT IT HAS A STRONG LEGAL CASE IT WOULD NOT BE IN USG'S INTEREST TO FIGHT LANDLORD'S REQUEST. HOUSING AND OFFICE SPACE ARE AT A PREMIUM AND HOUSES IN QUESTION ARE IDEAL FOR OUR NEEDS. SECONDLY BELIEVE LAND-

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LORD WOULD GET SYMPATHETIC TREATMENT FROM LOCAL MINISTRIES

OR COURTS SINCE PRACTICE LOCALLY IS TO RAISE RENTS ANNUALLY
UNLESS CONTRACT IS FOR LONG-TERM SET PRICE WITH TWO TO THREE YEARS
ADVANCE RENTAL BEING PAID. AS EMBASSY HAS REPORTED PREVIOUSLY,
RANTAL
CONTRACTS IN ABU DHABI OVER PAST YEAR HAVE BEEN INCREASED BETWEEN
40 AND 100 PERCENT BY INDIVIDUAL LANDLORDS, INCLUDING SHAIKH KHALID.
WE SUSPECT ONLY WAY LANDLORD FINALLY CONSENTED TO RELENT ON
EMBASSY OFFICE CONTRACT WAS BECAUSE CERTAIN PRESSURES WERE APPLIED
BY MFA, BUT IT VERY DOUBTFUL IF MFA WOULD INTERVENE IN OUR BEHALF
OVER RESIDENCE CONTRACTS.

3. EMBASSY RECOMMENDS ACCEPTANCE OF CODICIL AS BEST POSSIBLE
COMPROMISE SOLUTION THIS PROBLEM. GIVEN UNIQUE DEMAND/SUPPLY NATURE
OF HOUSING MARKET IN ABU DHABI, DO NOT BELIEVE IT REALISTIC FOR USG
TO EXPECT TO RECEIVE UNLIMITED PERIODS OF RENEWAL ON PROPERTY
LEASES REGARDLESS OF THE TERMS STIPULATED IN ORIGINAL CONTRACTS.
IF DEPT DOES NOT CONCUR WE MUST EXPECT THAT NO MAINTENANCE WHATSOEVER
WOULD BE DONE BY LANDLORD ON EITHER EMBASSY PROPER OR TWO HOUSES
IN QUESTION. IT SHOULD ALSO BE NOTED THAT BY NAILING LANDLORD TO
SPECIFIC RENTAL TERMS NOW FOR PERIOD TWO YEARS HENCE, IN THE
LONG RUN, WE COULD BE SAVING SUBSTANTIALLY IF RECENT TREND IN REAL
ESTATE PRICES ARE ANY INDICATION. FINALLY, GOOD WILL OF LANDLORD
IS IMPORTANT AND BELIEVE WE WILL BE SUCCESSFUL IN RESTORING SUCH BY
ACCEPTING COMPROMISE PROPOSAL.

4. POST WOULD APPRECIATE TELEGRAPHIC REPLY INCLUDING SPECIFIC
INSTRUCTIONS AS TO REPLY TO LANDLORDS DEMANDS.
GRIFFIN

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